

**REPORT OF THE AUDIT OF THE
HARDIN COUNTY
CLERK**

**For The Year Ended
December 31, 2009**



**CRIT LUALLEN
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EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
HARDIN COUNTY CLERK

For The Year Ended
December 31, 2009

The Auditor of Public Accounts has completed the Hardin County Clerk's audit for the year ended December 31, 2009. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting.

Financial Condition:

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected are deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected are deposited to the county government fund and paid quarterly to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

The Hardin County Clerk had total receipts of \$20,115,584, which was a \$1,578,908 decrease from the prior year. Except for reimbursed expenses in the amount of \$98,840 which includes payments from fiscal court, the clerk paid 25% of receipts to the Hardin County Fiscal Court in the amount of \$558,261. This was a decrease of \$18,486 from the prior year. In addition, 75% fund operating expenditures increased by \$33,805.

Deposits:

The County Clerk's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry L. Berry, Hardin County Judge/Executive
Honorable Kenneth L. Tabb, Hardin County Clerk
Members of the Hardin County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Hardin County, Kentucky and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2009. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2009, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 9, 2010 on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Harry L. Berry, Hardin County Judge/Executive
Honorable Kenneth L. Tabb, Hardin County Clerk
Members of the Hardin County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Hardin County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 9, 2010

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2009

Revenues

State Grant - Library and Archives		\$	9,143
State Fees For Services			45,026
Fiscal Court			26,265
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	3,117,884	
Usage Tax		8,558,682	
Tangible Personal Property Tax		5,909,802	
Notary Fees, Misc Lien Fees		14,369	
Inspections		17,085	
Other-			
Fish and Game Licenses		2,478	
Marriage Licenses		35,520	
Occupational Licenses		5,371	
Campaign Filing Fees		2,500	
Deed Transfer Tax		299,494	
Delinquent Taxes		<u>1,163,918</u>	19,127,103
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts		72,392	
Real Estate Mortgages		205,953	
Chattel Mortgages and Financing Statements		248,950	
Powers of Attorney		11,448	
All Other Recordings		87,301	
Charges for Other Services-			
Copywork		11,127	
Postage		<u>13,000</u>	650,171
Other:			
Miscellaneous		70,828	
Refunds		48,184	
Affordable Housing Trust Fund		<u>128,970</u>	247,982

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Revenues (Continued)

Interest Earned	\$ 9,894
Total Revenues	20,115,584

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 2,139,981

Usage Tax 8,301,519

Tangible Personal Property Tax 2,199,550

Licenses, Taxes, and Fees-

Fish and Game Licenses 2,097

Delinquent Tax 156,619

Legal Process Tax 94,528

Affordable Housing Trust Fund 128,970 \$ 13,023,264

Payments to Fiscal Court:

Tangible Personal Property Tax 515,703

Delinquent Tax 118,277

Deed Transfer Tax 284,519

Occupational Licenses 5,102 923,601

Payments to Other Districts:

Tangible Personal Property Tax 2,918,679

Delinquent Tax 558,592 3,477,271

Payments to Sheriff:

Delinquent Tax 93,313

Inspections 17,085 110,398

Payments to County Attorney 144,562

Library and Archives Grant 9,143

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

Expenditures (Continued)

Refunds	\$ 95,462	
Total Expenditures		\$ 17,783,701
Net Revenues		2,331,883
Payments to State Treasurer:		
75% Operating Fund*	1,773,622	
25% County Fund	558,261	2,331,883
Balance Due at Completion of Audit		\$ 0

* Includes reimbursed expenses in the amount of \$98,840 for the audit period. See Note 1 of the Notes to the Financial Statements.

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2009

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2009 (Restated)	\$ 390,114	\$ 169,312	\$ 559,426
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75%)	1,773,622		1,773,622
Fees Paid to State - County Funds (25%)		558,261	558,261
Total Funds Available	2,163,736	727,573	2,891,309
<u>Expenditures</u>			
Hardin County Government	\$	\$ 562,250	\$ 562,250
Personnel Services-			
Official's Statutory Maximum	100,548		100,548
County Clerk's Expense Allowance	3,600		3,600
Deputies' Salaries	1,034,736		1,034,736
Employee Benefits-			
Employer's Share Social Security	79,518		79,518
Employer's Share Retirement	161,905		161,905
Employer's Paid Health Insurance	216,469		216,469
Training Fringe Benefit	3,528		3,528
Materials and Supplies-			
Office Supplies	22,656		22,656
Office Furniture and Machines	351		351
Other Charges-			
Conventions and Travel	3,580		3,580
Phone	17,033		17,033
Postage	22,213		22,213
Insurance	3,815		3,815
Equipment Maintenance	23,971		23,971
Repairs and Maintenance	2,685		2,685
Materials, Parts & Labor	1,491		1,491
Mileage	8,719		8,719
Legal and Professional	2,385		2,385

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
KENNETH L. TABB, COUNTY CLERK
STATEMENT OF REVENUES, EXPENDITURES, AND
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS
For The Year Ended December 31, 2009
(Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges-(Continued)			
Election Expense	\$ 1,187	\$	\$ 1,187
Cash Over & Short	112		112
Miscellaneous	4,661		4,661
Capital Outlay-			
Office Equipment	6,314		6,314
Total Expenditures	1,721,477	562,250	2,283,727
Fund Balance - December 31, 2009	\$ 442,259	\$ 165,323	\$ 607,582

The accompanying notes are an integral part of the financial statements.

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2009 services
- Reimbursements for 2009 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2009

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are treated as revenue in the 75 percent fund.

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent for the first six months and 16.16 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County Clerk's deposits may not be returned. The County Clerk does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$9,143. Funds totaling \$9,143 were expended during the year. The unexpended grant balance was \$0 as of December 31, 2009.

Note 5. Lease

The Hardin County Clerk is committed to a lease agreement with Hardin County Water District #1 for its Radcliff office. The agreement currently requires an annual payment of \$4,535 for office space and \$2,099 for the basement area and expires on December 31 of each year. Under the current contract the Clerk may continue to lease the property under yearly options to extend the lease through December 31, 2011. The amount expended by Fiscal Court under this lease for the year ended December 31, 2009 was \$6,634.

Note 6. Compensated Absences

Employees of the Clerk are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. The Clerk's policy is to recognize the costs of compensated absences when actually paid to employees. Accordingly, no liability has been recorded in the accompanying financial statements.

HARDIN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009
(Continued)

Note 7. On-Behalf Payment Made By Fiscal Court

Hardin County Fiscal Court budgets a portion of the 25% county fund (Note 1) to be spent on behalf of the Hardin County Clerk. During the year ended December 31, 2009, the amount of \$132,729 was spent on behalf of the Clerk's office. The expenditures included amounts for computer maintenance and support service, lease of the Radcliff office, rent of store space in Elizabethtown, and miscellaneous office expenses.

Note 8. Prior Period Adjustment

The beginning fund balance in the 75% operating fund was decreased by \$2,578 from the prior year and the 25% county fund was increased by \$169,312 due to correction of prior year errors.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harry L. Berry, Hardin County Judge/Executive
Honorable Kenneth L. Tabb, Hardin County Clerk
Members of the Hardin County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Hardin County Clerk for the year ended December 31, 2009, and have issued our report thereon dated July 9, 2010. The County Clerk's financial statements are prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Hardin County Clerk's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Clerk's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Clerk's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Clerk's financial statements as of December 31, 2009, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Hardin County Fiscal Court, others within the entity, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

July 9, 2010

